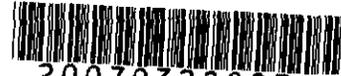


After Recording Return To:
Beacon Development Group
1221 East Pike Street, #300
Seattle WA 98122



200703280076
Skagit County Auditor

3/28/2007 Page 1 of 9 12:25PM

Document Title: **Subordination Agreement**

Grantor(s): **KeyBank National Association**

Grantee: **Washington State Housing Finance Commission**

Legal Description (abbreviated form): **ANACORTES, LOTS 1, 2, 3 AND 4, EXCEPT THE WEST 20 FEET OF LOT 4 BLOCK 37**

Additional legal description in Exhibit "A" of document.

Assessor's Property Tax Parcel Account Number(s): 3772-037-004-0008

Reference numbers of related documents: 1) 200509220163

2) 200609080123

SUBORDINATION AGREEMENT

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE INTERESTS OF THE WASHINGTON STATE HOUSING FINANCE COMMISSION AS REFLECTED IN THE REGULATORY AGREEMENT (EXTENDED USE AGREEMENT).

THIS SUBORDINATION AGREEMENT (the "Agreement") is made and entered into this 15 day of March, 2007 by the undersigned to and for the benefit of WASHINGTON STATE HOUSING FINANCE COMMISSION, a public body corporate and politic (the "Commission").

RECITALS

NOTE: Recital A.1. must be completed if this Agreement is being executed with regard to a deed of trust, mortgage or similar security instrument. Alternatively, Recital A.2. must be completed if this Agreement is being executed by a fee owner/ground lessor.

A.1. KeyBank National Association, a national banking association, ("Interest Holder") is the owner and holder of a Deed of Trust, (the "Security Instrument"), executed by The Wilson Hotel Housing Limited Liability Company, a Washington Limited Liability Company as grantor ("Project Owner"), creating a lien on the property and improvements thereon, if any, commonly known as the Wilson Hotel Housing project, TC or OID number 04-12 (the "Project"). The Project is located on the property legally described in Exhibit "A", attached hereto and incorporated herein by this reference (the "Land"). The Security Instrument was recorded in the records of County, Washington, on September 22, 2005, under Auditor's file number 200509220163.

A.2. _____ ("Interest Holder") is the fee title holder and landlord under that certain ground lease dated _____ (the "Lease"), under which _____ ("Project Owner") is the tenant. Project Owner is the owner of the project commonly known as the Wilson Hotel Housing project, TC or OID number 04-12 (the "Project"). The Project is located on the property legally described in Exhibit "A", attached hereto and incorporated herein by this reference (the "Land").

B. The Governor of the State of Washington designated the Commission to be the sole housing credit agency authorized to allocate the federal low-income

(July 14, 2005 version)

1

Subordination Agreement
Wilson Hotel Housing (TC or OID # 04-12)



200703280076

Skagit County Auditor

3/28/2007 Page

2 of

9 12:25PM

housing tax credit ("Credit") for residential rental buildings located in the state of Washington, in accordance with Section 42 of the Internal Revenue Code of 1986, as amended. The Internal Revenue Code of 1986, as amended, is hereinafter called the "Code."

C. Project Owner submitted a Low-Income Housing Tax Credit Program Application dated **January 16, 2004**, and any amendments thereto (collectively, the "Application"), to the Commission for an allocation of Credit to the Project. Project Owner has also entered into a Credit Reservation Contract and Carryover Allocation Contract (RAC) with the Commission dated **May 17, 2004**, and any amendments thereto (collectively, the "RAC").

D. In connection with an allocation of Credit, Project Owner has executed and delivered to the Commission a Regulatory Agreement (Extended Use Agreement) dated and recorded under Auditor's File No. 200609080123, records of Skagit County, Washington (the "Tax Credit Regulatory Agreement"). The Tax Credit Regulatory Agreement, the Application, the Credit Reservation Carryover Allocation Contract (RAC) and all ancillary documents entered into by Project Owner in connection therewith are called the "Program Documents."

E. The Commission has determined, based solely on the information in the Application, that the Project, if completed as proposed and operated in accordance with Section 42 of the Code and the representations made in the Application and the Credit Reservation and Carryover Allocation Contract (RAC), will qualify for an allocation of Credit that is to be apportioned to each building in the Project at the time such building is placed in service.

F. As a condition of having an effective allocation of Credit, Project Owner must enter into a Tax Credit Regulatory Agreement with the Commission that imposes on the Land and Project certain covenants, restrictions, charges and easements that run with the Land and are binding and a burden on (i) the Project and all portions thereof; (ii) any successor in interest, purchaser, grantee, transferee, developer, owner or lessee (other than a Resident) of any portion of the Project; (iii) any other person or entity having any right, title or interest therein; and (iv) the heirs, executors, administrators, legal representatives, devisees, successors and assigns of any of the foregoing persons or entities, for the length of time and to the extent provided for in the Tax Credit Regulatory Agreement. The persons and entities listed in (ii) through (iv) above are collectively called "Successors." Furthermore, as a condition of obtaining Credit, the Tax Credit Regulatory Agreement must be recorded in first position or each lender or holder must subordinate its liens and security interest(s) in the Project to the interests of the Commission as reflected in the Tax Credit Regulatory Agreement. Further, if

(July 14, 2005 version)

Subordination Agreement



200703280076
Skagit County Auditor

the Project is subject to a ground lease, the fee owner/lessor must subject its interest to the interests of the Commission as reflected in the Regulatory Agreement.

NOW, THEREFORE, in consideration of and to induce the Commission to allocate Credit to the Project, Interest Holder hereby agrees as follows:

TERMS

1.A. Interest Holder hereby unconditionally subordinates the lien of the Security Instrument, and all advances or charges made or accruing thereunder, including any extensions or renewals thereof, to the Tax Credit Regulatory Agreement. This Section 1.A. is applicable only if this Agreement is being executed in connection with a Security Instrument (i.e. only if Recital A.1. has been completed).

1.B. Interest Holder hereby unconditionally subjects the Land and any reversionary interest in the Project to the Tax Credit Regulatory Agreement. By executing this Agreement, Interest Holder is not assuming any personal liability for payment or performance and Project Owner's obligations under the Tax Credit Regulatory Agreement, unless and until termination or expiration of the Lease and reversion of the Project to Interest Holder and then only to the extent provided in the Tax Credit Regulatory Agreement. This Section 1.B. is applicable only if this Agreement is being executed by an Interest Holder who is a fee owner/lessor of the Land (i.e. only if Recital A. 2. has been completed).

2. Notwithstanding anything contained in this Agreement, if, (a) Interest Holder becomes the owner of the Project following the foreclosure of the Security Instrument (or deed in lieu thereof) or, (b) in the case of a Lease, the Lease terminates or expires and the Project reverts to Interest Holder, paragraph 10.3 of the Tax Credit Regulatory Agreement shall apply.

3. Interest Holder acknowledges that, before execution hereof, it has had the opportunity to review the terms of the Tax Credit Regulatory Agreement and recognizes that the Commission has no obligation to Interest Holder under this Agreement or the Tax Credit Regulatory Agreement to allocate Credit to any portion of the Project. Furthermore, Interest Holder acknowledges that the Tax Credit Regulatory Agreement imposes substantial restrictions on the use of the Land and Project and limits the amount of income that can be derived therefrom. Interest Holder agrees that the terms, conditions, restrictions, obligations and limitations of the Tax Credit Regulatory Agreement are covenants running with the Land and are binding and a burden on the Project and all portions thereof, and on any Successors for the length of time and to the extent provided in the Tax Credit Regulatory Agreement. Interest Holder agrees that the Commission shall be entitled under the Tax Credit Regulatory

(July 14, 2005 version)

Subordination Agreement
Wilson Hotel Housing (TC or OID # 04 12)



200703280076

Skagit County Auditor

3/28/2007 Page

4 of

9 12:25PM

Agreement to enforce the terms, conditions, restrictions, obligations and limitations of the Tax Credit Regulatory Agreement against any Successor, subject to the limitations of this Agreement. In addition, the Interest Holder acknowledges that it has reviewed the following notice:

Investor and Lender Notice

The Washington State Housing Finance Commission ("Commission") has determined, based solely upon the information submitted in an application prepared by **The Wilson Hotel Housing Limited Liability Company** (the owner), a **Washington Limited Liability Company**, that the low-income housing project, if completed as proposed in the application and consistent with Section 42 of the Internal Revenue Code and the Commission's *Policies*, will be entitled to receive an allocation of low-income housing tax credit. The Commission is neither underwriting the project nor certifying that any building will actually meet the requirements necessary to qualify for the low-income housing tax credit. The Commission has not performed any independent investigation of the applicant, the owner or any other party connected with the project, nor as to the qualification of any building in the project for the low-income housing tax credit and will not perform such investigation or otherwise monitor any building in the project for its eligibility for the low-income housing tax credit in the future except as required by law. The Commission makes no representation concerning the applicability of the low-income housing tax credit to any building in the project or the ability of any owner, lender or investor in the project to utilize such low-income housing tax credit. The Commission has neither performed any review nor makes any representations of the commercial viability of any building in the project.

The Commission bears no liability to any owner, investor, resident, lender or any other person or entity for any claim arising out of this project, the financing or syndication of this project or the low-income housing tax credit program. The credit reservation, carryover allocation, and/or final allocation and the terms and provisions of the Credit Reservation and Carryover Allocation Contract (RAC) and the Tax Credit Regulatory Agreement, as applicable, are not for the benefit of third parties and may not be relied on by third parties. The applicant, developer and owner of this project are not the agents of the Commission and have no authority to act on behalf of or to bind the Commission or the Commission's members, officers, employees, agents or representatives. Lenders and investors are cautioned that the actual amount of low-income housing tax credit available to the project and any building is subject to change or reduction by the Commission up to the date of issuance of IRS Form 8609, *Low-Income Housing Credit Certification*.

Lenders and investors should consult with their personal tax and/or investment counsel to determine whether this project qualifies for low-income housing tax

(July 14, 2005 version)

Subordination Agreement
Wilson Hotel Housing (TC or OID # 04-12)



200703280076

Skagit County Auditor

credit; whether an investor (or a lender, upon foreclosure) may utilize the low-income housing tax credit, if any; and the commercial viability and feasibility of any building in the project.

4. Interest Holder acknowledges that the Commission will not make an allocation of Credit to the Project or to any building that is a part thereof without this Agreement. Further, Project Owner's failure to obtain this Agreement shall be a default under the Credit Reservation and Carryover Allocation Contract (RAC) and the Tax Credit Regulatory Agreement, entitling the Commission to exercise all remedies available to it.

5. In the event suit or action is instituted in connection with this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs, including fees and costs in any arbitration, appellate or bankruptcy proceeding, in addition to all other amounts provided by law.

6. This Agreement shall be binding on Interest Holder and its Successors and assigns.

7. Notwithstanding any other provision of this Agreement, the Interest Holder shall not be deemed a Successor under this Agreement or the Tax Credit Regulatory Agreement until such time, if ever, that the Interest Holder becomes the owner of the Project following a foreclosure (or deed in lieu thereof) or, in the case of a lease, the lease terminates or expires and the Project reverts to the Interest Holder.

8. This Agreement is made by Interest Holder solely in its capacity as holder of the specified Security Instrument and the terms hereof are not intended to apply to other interests, if any, of the Interest Holder in the Project.



[Be sure to keep all signatures inside the box to be able to record the document.]

IN WITNESS WHEREOF, the Interest Holder has executed this Agreement for the benefit of the Commission as of the date first written above.

INTEREST HOLDER: KeyBank National Association

By: Kathleen Pittis Date: 3-15-07

Name (print): Kathleen Pittis

Its: Vice President

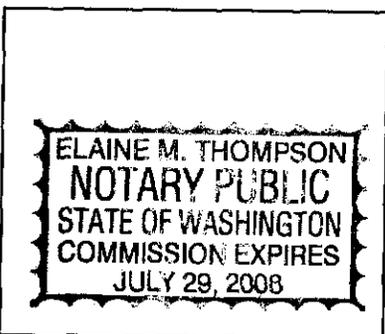


[Notary page for person signing on behalf of an entity. Please make additional copies of the applicable notary page as needed for each signatory. Be sure to keep all marks and the notarial stamp/seal inside the box to be able to record the document.]

STATE OF WASHINGTON)
) ss.
COUNTY OF Pierce)

I certify that I know or have satisfactory evidence that Kathleen P. His is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument as the/a Vice President of KeyBank National Assoc, which is the/a Interest Holder of Subordination Agreement, and acknowledged it to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: March 15, 2007



Elaine M. Thompson
Notary Public

Print Name: Elaine M. Thompson
My commission expires: 7-29-2008

(Use this space for notarial stamp/seal.)

(December 1, 2004 version)



200703280076
Skagit County Auditor

EXHIBIT "A"

TO SUBORDINATION AGREEMENT

LEGAL DESCRIPTION

Lots 1, 2, 3 And 4, Block 37, "MAP OF THE CITY OF ANACORTES, SKAGIT COUNTY, WASHINGTON," as per plat recorded in Volume 2 of Plats, page 4, records of Skagit County, Washington, EXCEPT the West 20 feet of said Lot 4.

Situate in the City of Anacortes, County of Skagit, State of Washington.

(December 1, 2004 version)



200703280076
Skagit County Auditor

3/28/2007 Page

9 of

9 12:25PM